

BILL # SB 1331

TITLE: truth in taxation

SPONSOR: Martin

STATUS: Senate Engrossed

REQUESTED BY: Senate

PREPARED BY: Steve Schimpp/Jake Corey

FISCAL YEAR

2003

2004

2005

EXPENDITURES

General Fund

\$-0-

Potential Unknown Savings

FISCAL ANALYSIS

Description

SB 1331 would prohibit a community college district, county, city, or town from levying or assessing primary property tax rates higher than the prior year if its governing board failed to comply with Truth in Taxation (TNT) noticing and hearing requirements. It also would require a school district to include in its TNT hearing notices its budgeted levies for “Adjacent Ways” (A.R.S. § 15-995) and “Liabilities in Excess” (A.R.S. § 15-907).

Estimated Impact

We estimate that the bill potentially could reduce costs of the Homeowner’s Rebate program by an unknown amount if the bill’s provisions result in lower primary property tax rates.

Analysis

The Homeowner’s Rebate program, which is authorized by A.R.S. § 15-972, requires the state to pay 35% of each homeowner’s primary property taxes for schools, up to a maximum of \$500 annually per homeowner. It also pays for 100% of a homeowner’s local primary property levy for all taxing jurisdictions combined (not just school districts) that exceed 1% of the full cash value of their home.

Because the bill would increase voter notification requirements for proposed tax increases, it potentially would make it more difficult for local jurisdictions to increase their primary property tax rates. If so, it is possible that tax rates for some school districts would be lower under the bill than under current law, which would reduce Homeowner’s Rebate costs for the 35% school tax subsidy portion of that program.

In addition, if combined local primary property tax rates (not just school district taxes) for some taxing jurisdictions ended up being lower under the bill than under current law, state General Fund costs for the “1% cap” portion of the Homeowner’s Rebate program would be reduced as well.

Included in the additional voter notification requirements for school districts would be the amounts levied for “Adjacent Ways” and “Liabilities in Excess.” Monies budgeted for “Adjacent Ways” are used to construct, maintain, or improve any public way adjacent to any parcel of land owned or leased by the school district. Monies budgeted for “Liabilities in Excess” are used for excessive and unexpected legal expenses or for a facilities emergency.

We cannot predict whether local primary property tax rates for any school district would be lower under the bill than under current law. Therefore, we cannot predict whether the bill would reduce Homeowner’s Rebate costs.

(Continued)

Local Government Impact

If a school district, community college district, county, city, or town is proposing a tax increase, the governing body is obligated to hold a public hearing at which any taxpayer may appear and be heard. Prior to the hearing, the governing body shall publish a notice indicating the date and location of the hearing as well as providing detail on the proposed tax increase. The notice shall either be published in a newspaper of general circulation or mailed to all registered voters in the affected jurisdiction. In addition, the governing body shall issue a press release containing the notice.

Under the new provisions of the bill, a community college district, county, city, or town not complying with the above requirements would not be able to raise primary property tax rates, which would result in reduced property tax collections. (In the current year 2 counties and 2 cities did not hold hearings prior to increasing primary property tax rates.) Any reduction in tax collections could potentially be a temporary reduction, however, as the affected governing body could comply with the requirements the following year and raise primary property tax rates up to the level they would have been if the governing body had always been in compliance.

The bill would not prohibit a school district from increasing tax rates if the district did not comply with the noticing and hearing requirements. The additional noticing requirements in the bill related to “Adjacent Ways” and “Liabilities in Excess” could potentially make it more difficult for the district to increase tax rates, however, which would result in lower tax collections.

3/20/03